



The Competitive Carriers Association

Rural Cellular Association

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October 19, 2011

Via Mail & ECFS

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: CC Docket No. 01-92; WC Docket No. 10-90; WC Docket No. 07-135; WC
Docket No. 05-337; GN Docket No. 09-51**

Dear Chairman Genachowski:

On behalf of RCA—The Competitive Carriers Association and its carrier members, I appreciate your and your staff's hard work on comprehensive Universal Service Fund ("USF") and Intercarrier Compensation reform. These issues are complex and solutions that serve the public interest are even more challenging. RCA, which represents over 100 competitive carriers, including many rural and regional providers, wishes to highlight two primary concerns as you refine the FCC's reform proposals. First, the public interest will be better served by providing sufficient and predictable funding for mobile services. Second, the FCC must provide a transition mechanism to prevent a funding gap that will stall current investment and stifle future mobile broadband services.

Specifically, RCA urges the FCC to increase the size of the Phase I and Phase II Mobility Fund and not to prematurely withdraw existing high-cost funding before sufficient support is available from the planned Connect America Fund and ongoing Mobility Fund. RCA is concerned that proposals under consideration understate the significant funding needs for wireless carriers to deliver affordable, high-quality services to consumers in high-cost rural areas. Further, proposals to withdraw *existing* high-cost support for wireless carriers before it adopts a final order and begins administering adequate replacement mechanisms will undermine the efforts and jeopardize significant investment RCA carrier members have made deploying mobile services to consumers in rural areas. Based on evidence found in independent studies and the FCC's own reports, consumers will be harmed if the FCC does not provide sufficient and predictable funding for mobile services.

Throughout the FCC's reform process, RCA and its members have advocated in support of a competitively and technologically neutral support mechanism that appropriately accounts for consumers' strong preference for mobile wireless services. RCA has long advocated for a single universal service fund that includes support for broadband but also embraces the principles of competitive and technological neutrality, and success-based, forward-looking funding. If

support for mobile wireless services nevertheless is relegated to a separate fund,¹ a minimum of \$800 million annually should be allocated for supporting wireless ETCs and the four nationwide carriers should not be eligible to receive such funding.² RCA recently learned that the size of the Phase I Mobility Fund may be as little as \$300 million dollars and the size of the Phase II Mobility Fund may be as little as \$500 million, with set-asides for tribal areas and for the most remote areas likely to be served by satellite operators, reducing the amount of support dedicated to mobile wireless technology. These contemplated proposals dramatically undervalue the ability of wireless providers to deliver high-quality, cost-efficient broadband service to high-cost, rural communities.³

This month, the FCC released its 2010 Internet Services Access report.⁴ Not surprisingly, the report confirms that consumers want and need mobile Internet service. The FCC found that Internet connections are growing and that mobile Internet connections are growing particularly fast. According to the report, the number of mobile Internet connections increased 63 percent in the past year, exceeding 84 million by December 2010.⁵ The report also revealed that total mobile Internet connections in the past 3 years have grown at a minimum 10 times faster than fixed.⁶ Mobile Internet connections of at least 3 Mbps down have jumped from approximately 2 million to over 11 million from December 2009 to December 2010, an increase of almost 550 percent over the course of one year.⁷ Even more stark, mobile connections of at least 3 Mbps down increased over 8300 percent in two years, from December 2008 to December 2010.⁸ True USF reform that advances the interest of the consumer should take into account the FCC's report and provide sufficient and predictable support of wireless technology.

¹ RCA takes no position at this time as to whether the Commission can create and administer a separate fund consistent with the Communications Act and the Administrative Procedure Act.

² RCA has indicated that an annual target of \$1.5 billion would be an appropriate amount to support current and future wireless technology, although \$800 million in ongoing annual support might be sufficient if the largest wireless carriers and rural LECs were barred from participating.

³ *See Universal Service Reform Mobility Fund*, Comments of Rural Cellular Association, WT Docket No. 10-208 (Dec. 16, 2010) at 9–11. It costs RCA carrier members on average \$250,000 - \$400,000 to construct a new cell site. Thus, each \$100 million in funding would only be sufficient to build approximately 250 - 400 new cell sites. For example, RCA estimates that it would cost approximately \$400,000 per cell site to serve fewer than 2000 people in the remote portions of rural Illinois. These estimates assume deployment of cost-efficient, high-quality wireless technology.

⁴ Internet Access Services Report (Oct. 2011) at 1.

⁵ *Id.* Fixed internet connections also grew, but only by 6 percent. *Id.* at 1, 10.

⁶ *See id.* at 16.

⁷ Letter of Steve Largent, President & CEO, CTIA, to Julius Genachowski, Chairman, FCC, filed in WC Docket No. 10-90 et al. (Oct. 18, 2011) at 1.

⁸ *See* Internet Access Services Report (Oct. 2011) at 16.

Last week, the Senate Commerce Committee held a hearing on universal service reform. Testifying on behalf of the cable industry, former FCC Chairman Michael Powell spoke to the consumer preference for wireless, stating that, "If you ask the average American consumer if you had to get rid of every last service, and what would be the one you would most desperately rely on in a crisis or a hurricane or a storm, it would include wireless ... any system that does not take into account for the way that consumers want to embrace and use and rely on communications is a terribly missed opportunity for Universal Service reform."⁹ RCA agrees with this statement; successful reform must include sufficient funding for wireless.

There also are several independent studies that reflect the Commission's findings – that consumers are cutting the cord and that growth of mobile services is dramatically outpacing growth of fixed services. A Morgan Stanley report indicated that mobile access to the Internet will outpace desktop access by the year 2015.¹⁰ An RCA-backed study in June also found that full deployment of wireless broadband in rural America with a fully interoperable 700 MHz band would result in the creation/retention of 117,000 jobs in the nineteen states with less than 90 percent coverage of broadband service of at least 4 Mbps.¹¹ The Pew Internet and American Life Project study released in July found that 25 percent of smartphone users do most of their Internet browsing from their mobile device—that percentage increased dramatically for ethnic minorities and those with less education and income.¹² The Pew Hispanic Center found that blacks and Hispanics are five times as likely to rely solely on a cell phone for access to the Internet versus whites.¹³ A Phoenix Center 2011 update to a prior study noted that lower-income households, where labor market troubles are particularly acute, are more prone to be mobile-only customers" and that — "[f]acilitating private investment in expanded mobile broadband coverage could improve the efficiency of labor markets, particularly for persons living in lower income households or rural markets."¹⁴ Wireless is the technology consumers are choosing, especially low-income and minority consumers.

⁹ *Universal Service Reform-Bringing Broadband to All Americans: Hearing Before the S. Comm. on Commerce, Science, and Transportation*, 112th Cong. (2011) (archived webcast), available at http://commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=106c5f06-326f-4808-a316-14ed516b6e43.

¹⁰ Morgan Stanley Internet Trends Report (Apr. 12 2010) at 8, available at http://www.morganstanley.com/institutional/techresearch/pdfs/Internet_Trends_041210.pdf.

¹¹ Raul L. Katz et al., RCA, *Economic Impact of Wireless Broadband in Rural America* (2011) at 5.

¹² Pew Internet, *Smartphone Adoption and Usage* 15 (July 7, 11).

¹³ Pew Hispanic Center, *Latinos and Digital Technology*, 2010 19–20 (Feb. 9, 2011).

¹⁴ George S. Ford, Phoenix Center For Advanced Legal & Economic Public Policy Studies, *Internet Use and Labor Market Participation: Additional Insights from New and Old Data* 6–7 (Aug. 18, 2011).

In addition to being the consumer-preferred technology, wireless is the most cost-effective and cost-efficient technology. The FCC itself has said so. In the National Broadband Plan's OBI Technical Report No. 1, the FCC stated that "wireless solutions are among the lowest cost solutions."¹⁵ More recently, the FCC made as much as 650 MHz of additional backhaul spectrum available in rural areas, stating that "in certain rural and remote locations, microwave is the only practical high-capacity backhaul solution available."¹⁶ In particular, Commissioner Copps noted the differing economics between deploying fiber or using wireless in rural areas. He said, "The current spectrum crunch is also a backhaul crunch, and microwave is often the answer in rural areas where it may not be economical to run fiber."¹⁷ And just today, the FCC released an "Infographic" illustrating with statistics the current mobile explosion.¹⁸ In particular, the FCC shows that mobile broadband traffic will increase 35-fold by 2015 and the mobile broadband eco-system will help to generate 771,000 new jobs by 2015.¹⁹

In accordance with your statement "that **broadband is the future of mobile and mobile is the future of broadband**"²⁰ and the Administration's goal of providing at least 98 percent of Americans with access to 4G high-speed wireless service,²¹ the FCC should increase the size of

¹⁵ Broadband Adoption and Use in America: OBI Working Paper Series No. 1 (Feb. 2010) at 61.

¹⁶ See *In re* Amendment of Part 101 of the Commission's Rules to Facilitate the Use of Microwave for Wireless Backhaul and Other Uses and to Provide Additional Flexibility to Broadcast Auxiliary Service and Operational Fixed Microwave Licensees; Petition for Rulemaking filed by Fixed Wireless Communications Coalition to Amend Part 101 of the Commission's Rules to Authorize 60 and 80 MHz Channels in Certain Bands for Broadband Communications, *Report and Order, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, WT Docket No. 10-153, RM-11602 (Aug. 9, 2011).

¹⁷ *In re* Amendment of Part 101 of the Commission's Rules to Facilitate the Use of Microwave for Wireless Backhaul and Other Uses and to Provide Additional Flexibility to Broadcast Auxiliary Service and Operational Fixed Microwave Licensees; Petition for Rulemaking filed by Fixed Wireless Communications Coalition to Amend Part 101 of the Commission's Rules to Authorize 60 and 80 MHz Channels in Certain Bands for Broadband Communications, *Report and Order, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, WT Docket No. 10-153, RM-11602 (Aug. 9, 2011) at 87 (statement of Commissioner Copps).

¹⁸ Spec It Out!, Federal Communications Commission (Oct. 19, 2011), available at <http://transition.fcc.gov/infographics/spec-it-out.pdf>.

¹⁹ *Id.*

²⁰ Prepared Remarks of Chairman Julius Genachowski, Federal Communications Commission, Broadband: Our Enduring Engine for Prosperity and Opportunity (Feb. 16, 2010) at 6. Chairman Genachowski subsequently said, "We need to capture that future and its benefits here in the United States." *Id.*

²¹ Press Release, The White House, President Obama Details Plan to Win the Future through Expanded Wireless Access (Feb. 10, 2011), <http://www.whitehouse.gov/the->

the Phase II Mobility Fund to a minimum of \$800 million dollars and prevent a funding gap that would undermine rural investment and directly undercut the consensus goals embodied in the National Broadband Plan and the Commission's *USF Transformation NPRM*.²²

Sincerely,

A handwritten signature in black ink, appearing to read "Steven K. Berry". The signature is fluid and cursive, with a large loop at the end of the last name.

Steven K. Berry
President & CEO, RCA

cc: Commissioner Michael J. Copps
Commissioner Robert M. McDowell
Commissioner Mignon Clyburn
Zac Katz
Margaret McCarthy
Christine D. Kurth
Angela Kronenberg
Louis Peraertz

press-office/2011/02/10/president-obama-details-plan-win-future-through-expanded-wireless-access.

²² *In re* Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up, *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51 (Feb. 8, 2011) ¶ 80.